

## Connecticut Income Tax Obligations of Enrolled Members of The Mashantucket Pequot Tribe

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**PURPOSE:** The purpose of this Informational Publication is to provide information to enrolled members of tribes, particularly enrolled members of the Mashantucket Pequot Tribe, about whether or not their income is subject to Connecticut income tax.

The United States Supreme Court has held that States may not impose income taxes on an **enrolled member** of a **federally recognized tribe** where the enrolled member resides in **Indian country** and where the income of the enrolled member is exclusively derived from or connected with **Indian country**. If an enrolled member of a federally recognized tribe resides in Indian country but the income of the enrolled member is not exclusively derived from or connected with Indian country, the income that is not derived from or connected with Indian country is subject to State income taxes.

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### What is a federally recognized tribe?

It is a tribe that is included on the list of Indian tribes recognized by the Federal Government. The United States Department of the Interior publishes the list. There are two tribes in Connecticut that are included on the list:

- Mashantucket Pequot Tribe; and
- Mohegan Indian Tribe.

Other tribes in Connecticut are not included on the list because they are not recognized by the Federal Government.

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### Who is an enrolled member of a federally recognized tribe?

An enrolled member is an individual who is recognized as a member by a federally recognized tribe and who is listed on the tribe's membership rolls.

### What is Indian country?

The term *Indian country* is used and defined under federal law. Generally, it means all lands within the limits of any Indian reservation under the jurisdiction of the Federal Government and all dependent Indian communities.

With respect to the Mashantucket Pequot Tribe, however, a federal district court judge has held that *Indian country of the Mashantucket Pequot Tribe* is only those settlement lands (as defined in the Connecticut Indian Land Claims Settlement Act; section 1751 of title 25 of the United States Code) that have been taken in trust by the United States for the benefit of the Mashantucket Pequot Tribe as part of the reservation. (The Connecticut Indian Land Claims Settlement Act was the Act of Congress by which federal recognition was extended to the Mashantucket Pequot Tribe.) Consequently, only enrolled members of the Mashantucket Pequot Tribe residing on settlement lands that have been taken in trust by the United States for the benefit of the Tribe as part of the reservation are considered to be residing in Indian country of the Mashantucket Pequot Tribe.

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### What income is derived from or connected with Indian country of the Mashantucket Pequot Tribe?

The Department of Revenue Services (DRS) recognizes the following categories of income as being derived from or connected with Indian country of the Mashantucket Pequot Tribe:

- Wages earned for work performed in Indian country of the Mashantucket Pequot Tribe;
- Income or loss from a business, trade, profession or occupation carried on in Indian country of the Mashantucket Pequot Tribe or from the ownership or disposition of any interest in real or tangible

personal property in Indian country of the Mashantucket Pequot Tribe;

- To the extent derived from or connected with services performed in Indian country of the Mashantucket Pequot Tribe, most retirement income (For more information, contact the DRS.);
- Unemployment compensation, if the benefits are received as a result of work performed in Indian country of the Mashantucket Pequot Tribe;
- Gambling winnings from gambling carried on in Indian country of the Mashantucket Pequot Tribe; and
- Distributions of tribal earnings from a tribal casino located in Indian country of the Mashantucket Pequot Tribe to an enrolled member of the Mashantucket Pequot Tribe.

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### **What income is not derived from or connected with Indian country of the Mashantucket Pequot Tribe?**

DRS treats the following categories of income as not being derived from or connected with Indian country of the Mashantucket Pequot Tribe:

- Income (such as interest, dividends, and royalties) from intangible personal property (such as stock, bonds, patents and copyrights) or gains from the disposition of intangible personal property, except to the extent such income is from property employed in a business, trade, profession or occupation carried on within Indian country of the Mashantucket Pequot Tribe;
- Wages earned for work performed outside Indian country of the Mashantucket Pequot Tribe;
- Income or loss from a business, trade, profession or occupation carried on outside Indian country of the Mashantucket Pequot Tribe;
- Income or loss from the ownership or disposition of any interest in real or tangible personal property outside Indian country of the Mashantucket Pequot Tribe;
- To the extent not derived from or connected with services performed within Indian country of the Mashantucket Pequot Tribe, retirement income;
- Unemployment compensation, if the benefits are received as a result of work performed outside

Indian country of the Mashantucket Pequot Tribe; and

- Gambling winnings from gambling carried on outside Indian country of the Mashantucket Pequot Tribe.

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### **Are enrolled members of the Mashantucket Pequot Tribe residing in Indian country of the Tribe resident individuals for Connecticut income tax purposes?**

Indian country of the Mashantucket Pequot Tribe is within the exterior limits of the State of Connecticut, so enrolled members of the Mashantucket Pequot Tribe residing within Indian country of the Tribe are resident individuals for Connecticut income tax purposes. If they are required to file a Connecticut income tax return, they are required to file a Connecticut resident income tax return (**Form CT-1040**).

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### **What income of an enrolled member of the Mashantucket Pequot Tribe is not subject to Connecticut income tax?**

Where an enrolled member of the Mashantucket Pequot Tribe resides in Indian country of the Mashantucket Pequot Tribe, income of the enrolled member derived from or connected with Indian country of the Mashantucket Pequot Tribe is not subject to Connecticut income tax. If the enrolled member's income is **not** exclusively derived from or connected with Indian country of the Mashantucket Pequot Tribe, only his or her income derived from or connected with Indian country of the Mashantucket Pequot Tribe is not subject to Connecticut income tax. However, his or her other income is subject to Connecticut income tax.

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### **What income is subject to Connecticut income tax?**

- Where an enrolled member of the Mashantucket Pequot Tribe does not reside in Indian country of the Mashantucket Pequot Tribe, all the income of the enrolled member is subject to Connecticut income tax, even if the income is exclusively derived from or connected with Indian country of the Mashantucket Pequot Tribe.

- Where an enrolled member of a federally recognized tribe other than the Mashantucket Pequot Tribe resides in Indian country of the Mashantucket Pequot Tribe, all of his or her income is subject to Connecticut income tax, even if the income is exclusively derived from or connected with Indian country of the Mashantucket Pequot Tribe.
- Where the spouse of an enrolled member of the Mashantucket Pequot Tribe is not an enrolled member of the Mashantucket Pequot Tribe, all of the spouse's income is subject to Connecticut income tax, even if the spouse resides in Indian country of the Mashantucket Pequot Tribe and even if the spouse is an enrolled member of another federally recognized tribe.

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### **Who is required to file a Connecticut income tax return?**

Any individual who is an enrolled member of the Mashantucket Pequot Tribe and who resides during a taxable year in Indian country of the Mashantucket Pequot Tribe or elsewhere within the exterior limits of the State of Connecticut is required to file a Connecticut resident income tax return for that taxable year, **even if none of his or her income is subject to Connecticut income tax**, if his or her **gross income** from all sources exceeds:

- \$12,000 for an individual who files a federal income tax return as an unmarried individual or as a married individual filing separately,
- \$19,000 for an individual who files a federal income tax return as a head of household, or
- \$24,000 for a husband and wife who file a federal income tax return as married persons filing jointly.

**Gross income** means all income you received in the form of money, goods, property and services that is not exempt from **federal income tax**, along with any additions to federal adjusted gross income that are required to be reported on **Form CT-1040**, Schedule 1.

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### **How is income that is derived from or connected with Indian country of the Mashantucket Pequot Tribe to be reported on the Connecticut income tax return?**

An individual who is an enrolled member of the Mashantucket Pequot Tribe and who resides in Indian country of such Tribe shall enter his or her:

- Federal adjusted gross income on Line 1 of **Form CT-1040**;
- Income or gain that is derived from or connected with Indian country of such Tribe on the line of **Form CT-1040**, Schedule 1, on which "other" subtractions from federal adjusted gross income are to be entered (Such income or gain shall be entered on the line of the Connecticut income tax return for a taxable year after 1998 that corresponds to Line 46 of the 1998 **Form CT-1040**.); and
- Loss or deduction that is derived from or connected with Indian country of such Tribe on the line of **Form CT-1040**, Schedule 1, on which "other" additions to federal adjusted gross income are to be entered (Such loss or deduction shall be entered on the line of the Connecticut income tax return for a taxable year after 1998 that corresponds to Line 36 of the 1998 **Form CT-1040**.).

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### **If an enrolled member of the Mashantucket Pequot Tribe is married to a person who is not an enrolled member of the Mashantucket Pequot Tribe, is a joint Connecticut income tax return required to be filed?**

In general, if the spouses file a joint federal income tax return, they are required to file a joint Connecticut income tax return. All of the income of the spouse who is not an enrolled member of the Mashantucket Pequot Tribe will be subject to Connecticut income tax, even if the income is derived from or connected with Indian country of the Mashantucket Pequot Tribe, and even if that spouse resides and works in Indian country of the Mashantucket Pequot Tribe. The spouse who is an enrolled member of the Mashantucket Pequot Tribe will probably have some income that is derived from or connected with Indian country of the Mashantucket Pequot Tribe, and *that* income will not be subject to Connecticut income tax. Of course, if the spouses do not reside in Indian country of the Mashantucket Pequot Tribe, all of their income will be subject to Connecticut income tax.

**What if an enrolled member of the Mashantucket Pequot Tribe resides in Indian country of the Tribe for part of the taxable year only?**

This will generally occur because an enrolled member changes his or her permanent legal residence by moving into Indian country of the Mashantucket Pequot Tribe during the taxable year or by moving out of Indian country of the Mashantucket Pequot Tribe during the taxable year.

It may also occur because an enrolled member is residing on settlement lands that during the taxable year are taken in trust by the United States for the benefit of the Mashantucket Pequot Tribe as part of the reservation.

In either case, the enrolled member computes his or her income, gain, loss or deduction that is derived from or connected with Indian country of the Mashantucket Pequot Tribe for the taxable year and then multiplies that amount by a fraction (proration fraction), and generally (if such income or gain exceeds such loss or deduction) enters the product as a subtraction from his or her federal adjusted gross income on Schedule 1 of his or her Connecticut income tax return. The numerator of the proration fraction is the number of days in the taxable year that the member's permanent legal residence is in Indian country of the Mashantucket Pequot Tribe. The denominator of the proration fraction is 365 (366, if the taxable year is a leap year).

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**FOR FURTHER INFORMATION:** Please call the Department of Revenue Services during business hours, 8:00 a.m. to 5:00 p.m., Monday through Friday:

- **1-800-382-9463** (toll-free from within Connecticut), or
- **860-297-5962** (from anywhere).
- **TTY, TDD and Text Telephone users only** may transmit inquiries 24 hours a day by calling **860-297-4911**.

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**FORMS AND PUBLICATIONS:** Forms and publications are available all day, seven days a week:

- **Internet:** preview and download forms and publications from the DRS web site:  
**[www.state.ct.us/drs](http://www.state.ct.us/drs)**
- **DRS TAX-FAX:** call **860-297-5698** from the handset attached to your fax machine and select from the menu
- **Telephone:** Call **860-297-4753** (anywhere) or **1-800-382-9463** (toll-free from within Connecticut).